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## Panama

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### **New Strategic Action Plan of the Ministry of Agriculture of Panama**

**Report Categories:**

Agricultural Situation

National Plan

**Approved By:**

Kelly Stange, Regional Agricultural Attaché

**Prepared By:**

Maria V. Guardia, Administrative Assistant

**Report Highlights:**

This report summarizes the Strategic Action Plan for the Agricultural Sector of Panama for the period 2010-2014 prepared by the Ministry of Agricultural Development in October 2010.

**General Information:**

In July 2010 new Minister of Agricultural Development of Panama, Emilio Keiswetter presented his Strategy for the Development of the Agricultural Sector of Panama, based in five core topics namely:

1. To reduce the cost of food staples
2. Restructuring Productivity
3. Commercialization
4. Rural Development
5. Modernization of the Integrated Agricultural Institutions and Public Sector

These strategies were based on Government Strategies for the 2009-2014 period, campaign promises and the input of all economic sectors, including the agricultural sector, which is considered one of the engines that, together with tourism, are key to the country's growth.

These actions must promote the development of the rural sector of the country, which represents 44% of the total population, and address serious poverty and extreme poverty indexes.

They must also aim at improving the wellbeing of the producers and the general population by means of a competitive, participative and sustainable agricultural sector.

The main constraints found in the agricultural sector of Panama are the lack of coordination among government institutions, producers associations and producers in general, bad infrastructure, and lack of effective marketing programs. These strategies are aimed at reducing or eliminating said constraints.

This Strategy for the Development of the Agricultural Sector in Panama will cost \$700 million dollars, and it will be paid, using funds from the Budget of the Government of Panama and with international finance from the InterAmerican Development Bank (IDB) and the *Corporacion Andina de Fomento* (CAF).

**Proposals, Actions, and Solutions to Implement the New Strategy to Overcome these Constraints:****1. To Reduce the Cost of Food Staples**

The strategic plan calls for establishing and prioritizing the agricultural products considered to be food staples in accordance with their nutritional value and by those products that may be produced or acquired at a lower cost. The plan also requires promoting competitive food production using all domestic support measures allowed by the WTO, as well as by improving distribution and marketing channels.

The Government of Panama (GOP) is planning on eliminating distortions of domestic commercialization, increasing public storage facilities and distribution. They will promote meetings between producers and distributors to negotiate valid measures to reduce the cost of food staples. And the government will promote Food Fairs, or what they call *Jumbo Fairs*, where consumers can buy directly from the producers at more convenient prices.

GOP's goal is to be self-sufficient in rice, beans, beef, milk, chicken, vegetables (onions, lettuce, tomatoes, carrots, peppers) and sugar cane (for refined sugar and ethanol)

On this topic, the GOP strategy calls for:

- Promoting the production of food identified as a food staple.
- Defining food staple products.
- Defining policy and action plans per product.
- Encourage financial assistance for small and medium producers.
- Establishing a dynamic commercialization system by means of food fairs near production sites as well as at public or regional markets.
- An informational campaign aimed at educating consumers about the nutritional value of food staple products.
- Evaluating the impact of the above fairs.

## 2. Restructuring Productivity

This strategy is aimed at improving the capacities of the sector by taking advantage of the opening of new markets. It also calls for a planned transformation of agricultural production activities and their environment by means of the creation of competitive agribusinesses that may improve the quality of life of the rural population as well as the strength of the food safety and food quality programs.

Currently, the agricultural economy in Panama has low levels of growth, poorly diversified offerings and is not competitive, which will become even more critical with the opening of new international commercial markets after the approval of several free trade agreements with other nations. In many instances, producers lack knowledge of international regulations, food security, and environmental concerns. Most production losses are due to the wrong use of soil, poor handling of harvest and post harvest, etc. which increases the costs of production.

In order to accomplish a planned change in the production activities and its environment, the GOP will develop two programs and various subprograms with the purpose of:

- Strengthening the agricultural food chains.
- Promote the export of agricultural products of high added value.
- Promote the partnership between producers and agricultural businesses/industries.
- Improve the government installations at production centers.
- Promote new research and the adoption of easy-to-access technologies of low cost to be applied in the sector and increase the added value of products.
- Promote the development and consolidation of irrigation projects as well as feedlots, greenhouses, etc. with the purpose of reducing climate change and seasonality.
- Plan government integrated services by establishing land demarcations and rating best production zones.
- Strengthening the agricultural protection programs, quality and food safety.
- Adopt clean agricultural practices for a sustained agriculture production.

- A. The first program will be aimed at increasing production and promoting efficient economic and environmental competitiveness.

It will aim at:

- Developing food chains to include studies, creation, training, policies and action plans.
- Enhance partnership, leadership and marketing efforts of producers.
- Promoting exports by government information channels through integration of government and institutions.
- Government support of research and technological information innovations.
- Promoting the use of environmentally safe production methods and strategies.
- Promoting seed production.
- Agricultural health and food safety.
- Promoting agricultural industries.

- A. The second program will aim at enhancing support of the agricultural sector's infrastructure, aimed at:

- Supporting government infrastructures to aid in the handling and storage of harvest and post harvest production such as the Institute of Agricultural Marketing storage facilities and the new cold chain program.
- Better management of water resources including studies of agricultural production within the main watersheds of the country, updating watersheds studies, designing and implementing small and medium irrigation systems for multiple uses, building and rehabbing old irrigation systems. With FAO cooperation they will build small scale irrigation systems for 100 to 200 hectares. With the financial support of the InterAmerican Development Bank (IDB) and the *Corporacion Andina de Fomento (CAF)* they will build 14 Mega Projects of Irrigation Systems to be used also as Hydroelectric and Potable Water sources. They will use Israeli cooperation for the Irrigation System of rice in Chiriqui.
- Improving rural roads – updating the inventory of rural roads and evaluating new requirements, building required roads, repairing and maintaining existing roads

### 3. Commercialization

This is one of the most difficult problems in the Panamanian agricultural sector and it is due to poor infrastructure, bad marketing and unclear market norms, among other issues. Basically the lack of knowledge of the market norms and the excess of intermediaries causes deficiencies in the products quality and high prices. Also the lack of a constant market for the products and/or lack of production at certain periods create an imbalance.

The government will be implementing a program to improve the marketing system, aimed at diminishing marketing costs, market distortions, and improving product storage and handling facilities. Additionally, the GOP will develop other marketing mechanisms such as the implementation of a product exchange market as an option to producers to be able to access financing and better deal with market uncertainty, establishing Future Commodities purchases, taking into account the purchase

requirements of local production, before accessing the import quota

The government will aid with:

- Creating local and regional markets where producers and consumers may offer and acquire products directly.
- Enhancing a price information system available to producers and consumers.
- Improvement of the storage and handling facilities of the Agricultural Marketing Institute.
- Support of the cold chain project.
- Training to producers and merchants about the use of the agricultural products exchange market and Future Commodities purchases.

#### 4. Rural Development

Panama's rural sector has one of the highest poverty and extreme poverty rates in the country, basically due to bad diversification, poor productivity and lack of technical knowledge and international markets information.

The government will promote producer associations as a mechanism to share knowledge, aid competitiveness of the agricultural sector and prevent the rural family from abandoning the farm.

It will contribute to rural development by enhancing rural perspective and creating a rural development program based on territories, product diversification and environmentally friendly management of natural resources.

Basic purpose of this strategy will be:

- Help producers become masters of their own wellbeing and rural development.
- Strengthen producer organizations to keep producers in the agricultural sector.
- Increase the level of participation of producer organizations in rural forums and debates.
- Incorporate environmentally sustainable principles when using natural resources.
- Contribute to the government efforts to reduce poverty in the rural areas.

Actions towards this goal will be:

- Organize rural communities so they participate in the planning processes, coordination and negotiation of rural development.
- Integrate rural communities in the rural development process and in the actions of public and private entities in their territories
- Identify the rural territories with competitive products and services with a potential to reach certain markets.
- Promote the use of production technologies for post harvest and industry in accordance with the needs of small producers.
- Promote micro-credit and development funds to help the development of production activities.

- Implement mechanisms that will help rural producers to reach the markets.
- Promote the development of agricultural tourism in rural areas.

## 5. Modernization of the Integrated Agricultural Institutions and Public Sector

The development of the agricultural sector depends a great deal upon the capacity of public institutions to render the necessary services to promote development. However, there is an evident weakness in said institutions that should provide for research, technical assistance, financial assistance and insurance, among other things.

Lack of inter-institutional cooperation, personnel instability, inefficient technical education of its personnel, and the lack of timely decision making to make the necessary changes has limited the capacity of the sector to meet new challenges and opportunities.

Specific ideas towards attaining this integration will be:

- Update government institutions.
- Efficiently integrate the agricultural institutions of the public sector.
- Create space for consultation among the state and the private sector to determine the needs for technical, financial and other support.
- Plan according to the real demand for services and information.
- Develop and renew human talent of public institutions for a more efficient and effective service.
- Implement a new system to extend and innovate on technology.
- Modernize financing systems, the existing management of risks, and develop alternate systems.
- Satisfy capital needs and risk coverage of the participants in the production process in terms of costs, opportunities, and terms to increase efficiency and competitiveness.

Programs to accomplish this integration will be:

### 1. For the update/modernization of government institutions:

- a. Design or restructure government institutions such as the Ministry of Agricultural Development, the integrated system for Extension and Innovation on agriculture.
- b. Diagnose and design the systems.
- c. Establish a planning, evaluation and follow-up system within each institution
- d. Establish a national cattle and agricultural system such as zoning and traceability, among others.
- e. Create an integral national training plan to improve technical and administrative capacities for the agricultural public sector.

### 1. For the update of Financial Systems:

- a. Supporting the agricultural production activity by strengthening micro-credit.
- b. Evaluating current financial support to agricultural producers.
- c. Implementing an integrated banking system.

- d. Promoting financial assistance to small and medium producers.
- e. Facilitating crop insurance by reviewing products, activities and insurable zones.
- f. Strengthening guaranty funds as a mechanism to support agricultural producers.
- g. Developing the culture of insurance to protect investments of producers and financial institutions.
- h. Strengthening the infrastructure of operations of the institution.

**General Comments:**

The above plan was prepared by the Ministry of Agriculture with the participation of personnel from other public entities of the agricultural sector of Panama, as well as the input of the private sector and producers, with the technical assistance of the InterAmerican Institute for Cooperation on Agriculture (IICA).

The government of Panama has the best intentions to accomplish the required improvements and changes in the sector. Recently there has been a positive shift noticeable at meetings with other institutions of the agricultural sector. There is a sense of inclusiveness and a sense of participation in all aspects of the required changes aimed at attaining a better developed and better informed agricultural sector in Panama.

The Ministry of Agriculture will manage execution and supervision of the various projects to promote and assure the success of this action plan.